

## Message Text

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PAGE 01 TEGUCI 02557 312052Z

ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 SCS-06 CA-01 L-03 H-02

COME-00 TRSE-00 SSO-00 /035 W

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC IMMEDIATE 508

UNCLAS TEGUCIGALPA 2557

E.O. 11652: NA

TAGS: EINV, HO

SUBJ: AMCIT LESLIE FREY'S EXPROPRIATION CLAIM AGAINST GOH

REF: STATE 133556

1. DECREE LAW 103 OF JANUARY 10, 1974 ESTABLISHED THE HONDURAN FORESTRY DEVELOPMENT CORPORATION (COHDEFOR), A SEMI-AUTONOMOUS GOH INSTITUTION CHARGED WITH CONTROL AND UTILIZATION OF HONDURAS' FOREST RESOURCES. ARTICLE 7 OF THAT LAW REQUIRES FIRMS ENGAGED IN CUTTING AND SAWING WOOD OR EXTRACTION AND DISTILLATION OF RESINS TO BE 51 PERCENT HONDURAN OWNED. FOREIGN FIRMS WERE ALLOWED UNTIL DEC. 31, 1974 TO COMPLY WITH ARTICLE 7.

2. WITH PROMULGATION OF DECREE LAW 103, MR. FREY, LIKE OTHER FOREIGNERS, FOUND HIMSELF UNABLE TO ATTRACT A SUITABLE HONDURAN PARTNER OR ACCEPTABLE PRICE FOR HIS MILL. IT WAS A "DISTRESS SALE" SITUATION IN A BUYER'S MARKET. AS AN ENTREPRENEUR, MR. FREY ASSUMED CERTAIN BUSINESS RISKS AND SHOULD HAVE BEEN PREPARED TO ABSORB LOSSES AS WELL AS ENJOY GAINS. MR. FREY EXPECTS THE GOH TO ABSORB LOSSES SUFFERED NOT AS A RESULT OF GOH DISCRIMINATION OR EXPROPRIATION, BUT LOSSES RESULTING FROM MR. FREY'S INABILITY TO ADJUST TO NEW RULES IMPOSED BY DECREE LAW 103. LAW WAS NOT RETROACTIVE AND DID ALLOW NEARLY A YEAR FOR FIRMS TO COMPLY. ACCORDING TO UNCLASSIFIED

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PAGE 02 TEGUCI 02557 312052Z

COHDEFOR, THE FEW MILLS WHICH CLOSED DOWN DUE TO DECREE LAW 103 WERE SMALL, UNECONOMICAL MILLS GENERALLY OPERATING WITH OBSOLETE EQUIPMENT. THOUGH OPERATING PERMITS OF FIRMS NOT COMPLYING WITH LAW WERE NOT RENEWED IN 1975, IN NO CASE WAS A MILL EXPROPRIATED BY COHDEFOR.

3. MR. FREY, IT APPEARS, HAS NO PRACTICAL OR LEGAL BASIS TO

CLAIM EXPROPRIATION. PERHPAS THAT IS WHY THE HONDURAN ATTOR-  
NEYS HE CONTACTED WERE NOT WILLING TO PURSUE THE CASE.  
MR. FREY VISITED THE CONSULAR SECTION ON NOV. 23, 1977 AND  
EXPLAINED HIS DIFFICULTIES IN OBTAINING LEGAL REPRESENTATION.  
TWO LAWYERS DECLINED TO TAKE HIS CASE. HE WAS GIVEN EMBASSY  
LIST OF LAWYERS.  
JARAMILLO

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## Message Attributes

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